



National
Foreign
Assessment
Center

Approved For Release 2003/01/30 : CIA-RDP80T00942A001000020001-1

Secret

25X1

Prospects for Conventional Arms Transfer Restraints In Southeast Asia

A Research Paper

Secret

PA 79-10206
May 1979

Approved For Release 2003/01/30 : CIA-RDP80T00942A001000020001-1

Copy

037

25X1

Approved For Release 2003/01/30 : CIA-RDP80T00942A001000020001-1

Approved For Release 2003/01/30 : CIA-RDP80T00942A001000020001-1



National
Foreign
Assessment
Center

Approved For Release 2003/01/30 : CIA-RDP80T00942A001000020001-1

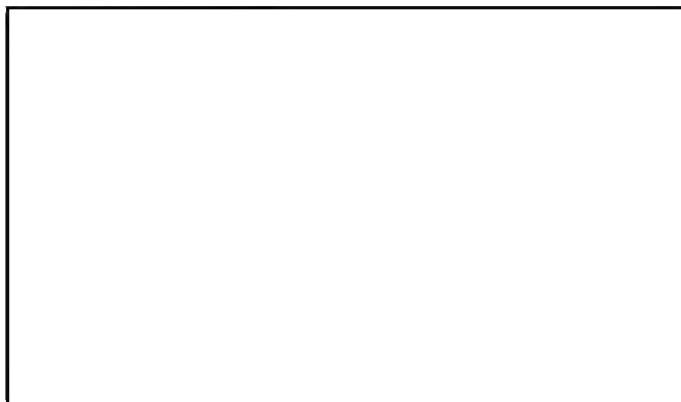
Secret

25X1

Prospects for Conventional Arms Transfer Restraints in Southeast Asia (U)

A Research Paper

*Research for this report was completed
on 31 January 1979.*



Secret

PA 79-10206
May 1979

Approved For Release 2003/01/30 : CIA-RDP80T00942A001000020001-1

**Prospects for Conventional
Arms Transfer Restraints
In Southeast Asia (U)**

Key Judgments

Although arms sales to the nine Southeast Asian states in recent years have consistently accounted for only a very small percentage of the global weapons traffic, political and ideological competition divide the region into rival supplier-recipient groups and present a significant obstacle to establishing broad and effective restraints on conventional arms transfers (CAT). [REDACTED]

25X1

Reinforced by recent developments, Soviet domination of the Indochina arms market is likely to persist for some years to come, while traditional US domination of the arms market to the countries of the Association of Southeast Asian Nations (ASEAN), on the other hand, is likely to be increasingly challenged by other non-Communist suppliers. [REDACTED]

25X1

While there is currently no arms race—and little chance of conflict—between the ASEAN and Indochina states, the emergence of a new and pro-Vietnam regime in Kampuchea has had a significant impact on ASEAN perceptions of Sino-Soviet rivalry and Vietnamese ambitions in the region.

[REDACTED]

Although the extent to which the ASEAN states translate their heightened concern into accelerated purchases of sophisticated weapons will probably be limited by both budgetary and doctrinal constraints, they are likely to be more reluctant than ever to accept restrictions on their freedom to acquire any arms that they believe they need. In any event, it seems certain that the ASEAN states would not accept CAT controls without the full participation of the Soviet Union, China, and Vietnam. [REDACTED]

25X1

For its part, the USSR might view discussions of CAT restraints in Southeast Asia as an opportunity to exploit conflicts of interest between China and the West or among Western arms suppliers. Nonetheless, it almost certainly would be unwilling to engage in such a dialogue unless it was sure that it could protect its special interests in Vietnam, Laos, and Kampuchea. [REDACTED]

25X1

Secret

Approved For Release 2003/01/30 : CIA-RDP80T00942A001000020001-1

Pragmatic calculations of self-interest also seem likely to predispose China, the Indochina states, and many Western and less developed country (LDC) arms suppliers to view the prospect of an effective system of CAT restraints in Southeast Asia with suspicion. Consequently, it seems very unlikely that any such system will be proposed or discussed unless the United States takes the lead. [REDACTED]

25X1

Even with US sponsorship, the chances for successfully negotiating and implementing a Southeast Asian CAT restraint system would be remote. At the same time, the very fact of US sponsorship or active support of such an initiative could have an adverse impact on US relations with members of the ASEAN grouping by raising new doubts about the strength of the US commitment to their security. [REDACTED]

25X1

Secret

Contents

	<i>Page</i>
Key Judgments	iii
Preface	vii
The Setting	1
Motives for Buying Arms	1
Supply of Arms	2
Conditions Influencing Possible Arms Restraints	2
Implications for the United States	3
 Annexes	
A. Dynamics of Arms Transfer to the Region	5
B. Receptivity to Voluntary CAT Restraints	11
C. Statistical Data Tables	17
 Figure	
1. Arms Sales to Southeast Asia (1975-78)	viii

Secret

25X1

Preface

This study was originally scheduled for publication in early 1979. Following the outbreak of large-scale hostilities in Indochina in late December 1978, the original draft was revised to consider the political and military impact of the initial phases of the fighting. The continuation and widening of the conflict, however, necessitated imposing an arbitrary cutoff date for further research of 31 January 1979. The discussion thus takes account of the immediate consequences and longer term implications of the Vietnamese invasion of Kampuchea but not of the subsequent Chinese punitive attack on Vietnam. [REDACTED]

Despite the altered politico-military environment in Southeast Asia we feel the basic judgments advanced in the study remain valid. Indeed, its assessments of the attitudes and policies of the non-Communist ASEAN states with respect to arms control have in large part been validated by the reactions of those countries to the conflicts among their Communist neighbors. [REDACTED]

Over the longer term, expansion of the Soviet Union's military presence and political stake in Vietnam may prove to be one of the most significant consequences of the hostilities in Indochina. While the Soviet response to China's attack on Vietnam fell short of military intervention (and while Vietnam has made a point of claiming it "defeated" the Chinese invading force without Soviet assistance), Moscow took advantage of China's actions to justify a buildup of its naval presence in the Southeast Asian region and to strengthen its position in traditionally independent-minded Vietnam. As in the case of the reactions of the

ASEAN states, however, the implications of these relatively recent developments are consistent with the analysis in this study. In fact, they tend to reinforce the judgment that Moscow would not support the establishment of a regional arms control regime in Southeast Asia unless it was convinced that the arrangement under consideration would not restrict its freedom of action with respect to Vietnam and probably to Kampuchea and Laos. [REDACTED]

The principal objectives of this paper are:

- To project the arms transfer process in Southeast Asia over the past few years into clearer political and economic perspective.
- To identify and weigh the security concerns and the political and economic conditions that are likely to determine the degree to which individual Southeast Asian countries—and leading extraregional arms suppliers—will be willing to cooperate in restraining arms transfers in the months and years ahead.
- To gauge the implications of these conclusions for US policies and interests. [REDACTED]

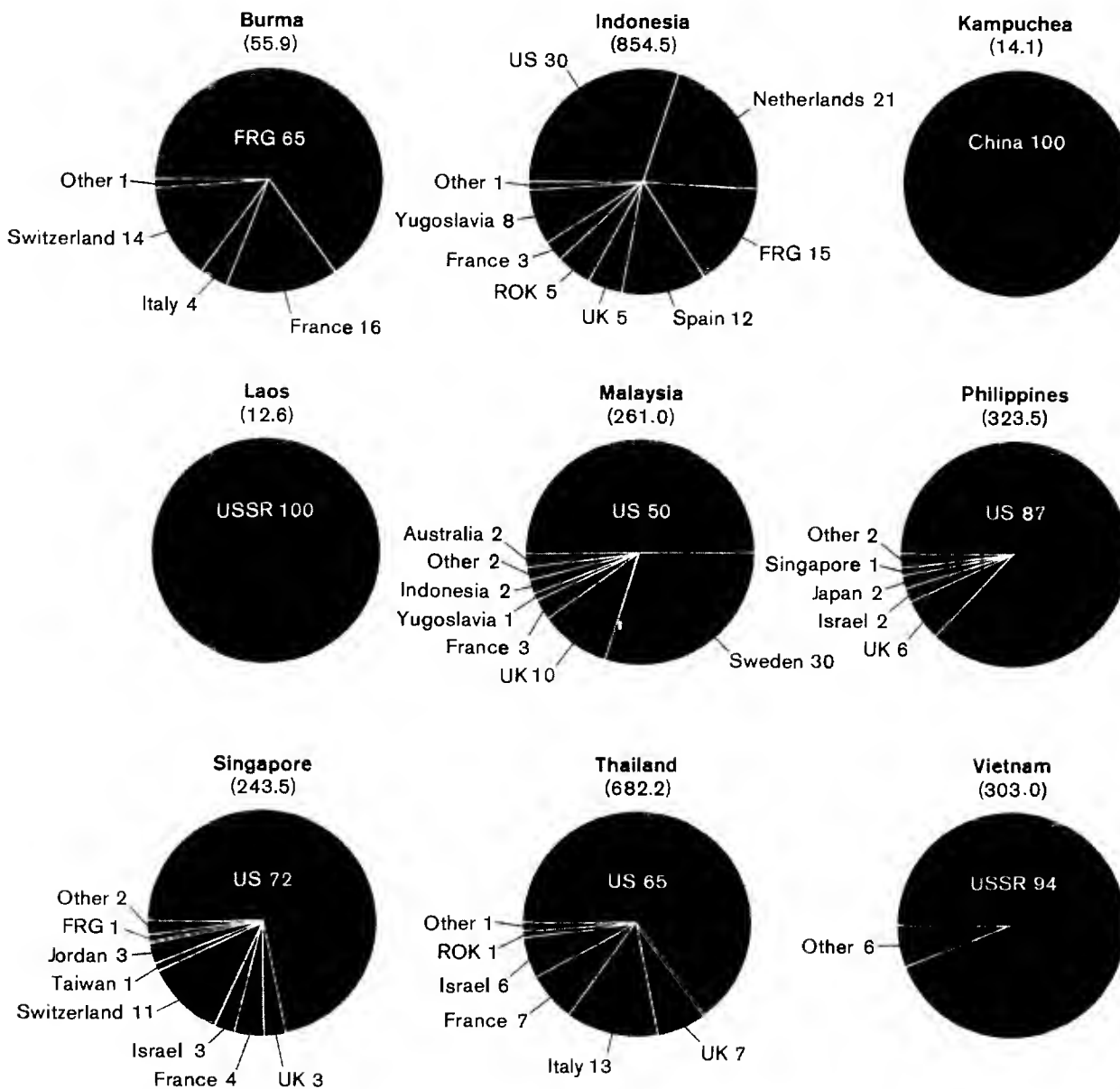
The analysis and conclusions of the paper that follows are elaborated in two detailed annexes that examine the dynamics of conventional arms transfers to Southeast Asia, and the receptivity of both supplier and recipient states to voluntary restraints on such transfers. [REDACTED]

Secret

Approved For Release 2003/01/30 : CIA-RDP80T00942A001000020001-1

Arms Sales to Southeast Asia (1975-78)

Total Value and Supplier Percentages*



*Millions of US Dollars, percentages rounded off

Secret

Approved For Release 2003/01/30 : CIA-RDP80T00942A001000020001-1

25X1

Prospects For Conventional Arms Transfer Restraints in Southeast Asia (U)

The Setting

By historical and political definitions, Southeast Asia consists of the five members of the Association of Southeast Asian Nations (ASEAN)—Indonesia, Malaysia, the Philippines, Singapore, and Thailand—the three Indochina states—Kampuchea, Laos, and Vietnam—and Burma. Most are “poor,” that is, lesser developed countries (LDCs); only Malaysia and Singapore are classified by per capita GNP standards as “middle-income” LDCs. [REDACTED]

Since the victories of Communist governments in Indochina in 1975, the region has been divided ideologically into non-Communist (ASEAN and Burma) and Communist regimes. Nonetheless, there has been no major armed conflict between the two groups, and political differences have been resolved by accommodation and cooperation. There are, however, armed insurgencies or resistance movements operating in both Communist and non-Communist states and several of these receive limited assistance from external sources. Within ASEAN, the member states have eschewed the use of arms to resolve disputes. [REDACTED]

[REDACTED] The Indochina states, however, continue to play out historic and ethnic animosities among themselves through warfare despite an ostensibly common ideology. [REDACTED]

Trade in conventional arms has been relatively less active in Southeast Asia than in other regions, but is growing steadily in both volume and number of suppliers. Total arms sales and assistance to the nine Southeast Asian states during the period 1975-78 amounted to approximately \$2.8 billion, or 3.5 percent of total world sales over that four-year period.¹ The five members of ASEAN received 84 percent, the three Indochina states 14 percent, and Burma 2 percent of

¹ See Annex C for details. This study excludes US assistance to its forces and allies in Indochina during 1975. [REDACTED]

the total transfers. The United States dominated the ASEAN market (54 percent), while the Soviet Union dominated the Indochina market (92 percent). Other suppliers—mainly West European nations, Israel, Australia, and several LDCs to the ASEAN states, and China to the Indochina states—provided smaller amounts of military assistance and equipment on cash or credit terms. For the near future, arms transfers will probably continue to flow along already established lines. [REDACTED]

Despite the small volume of arms sales to Southeast Asia and the absence of an arms race among the recipient or the supplier states, political and ideological competition divides the region into rival supplier-recipient groups and presents significant obstacles to establishing broad and effective restraints on conventional arms transfers (CAT). The extent to which arms restraints win the voluntary cooperation of the regional and other states concerned will depend on the nature and strength of the motives driving both suppliers and recipients, the nature of such restraints, and the manner in which they are negotiated and implemented. [REDACTED]

Motives for Buying Arms

Recipient states buy—and produce—arms for complex reasons involving internal security against insurgencies, national prestige and pride, self-reliance and independence from foreign sources, and defense against external threats. With respect to the last-mentioned concern, there is currently little chance of major armed conflict between the two groupings of arms recipients—the ASEAN nations and the Indochina states. [REDACTED]

The emergence of a new and pro-Vietnamese regime in Kampuchea has, however, had a significant impact on ASEAN perceptions of Sino-Soviet rivalry and of Vietnamese ambitions in the region—largely by confirming suspicions that Vietnam cannot be trusted. Some ASEAN states—Malaysia and Indonesia—have responded to the Vietnamese invasion of Kampuchea by formulating plans for rapid improvement and increase of their armed forces, but the ASEAN states are not likely to react to it by arming themselves heavily or by forming a mutual defense pact. Nonetheless, over the longer term, this development adds pressure on these nations to continue to buy arms and, possibly, to accelerate their purchase schedules. The volume and sophistication of these arms purchases will be constantly constrained, however, by supply and budgetary restrictions. [REDACTED]

Although they have always been suspicious of the ASEAN nations' relationship with the United States, the three Indochina states do not consider the ASEAN states a serious military threat. Their main reasons for acquiring arms have been to build military capabilities against internal security threats, against each other, or against China. Vietnam and Laos will continue to receive military assistance, possibly of increasingly higher sophistication and volume, from the USSR. The new regime in Kampuchea will benefit indirectly from Soviet assistance to Vietnam. [REDACTED]

Supply of Arms

Considerations of national security, prestige, or economic advantage, as well as the wish to expand political and economic leverage, are among the most common motives for developing and sustaining arms exports. Strategic concerns are of relatively minor importance in motivating arms sales to the ASEAN states but they are a factor of growing importance in Soviet assistance to Vietnam. [REDACTED]

West European and LDC arms suppliers to the ASEAN states have indicated growing interest in expanding relations—and arms sales—to this market.

Specific problems with US sales restrictions and general dissatisfaction with the high cost and unreliability of the US supply line have motivated the ASEAN countries to shop elsewhere. ASEAN decisions to buy more from non-US suppliers could enhance the potential for competition among these suppliers for the US share of the market. [REDACTED]

Conditions Influencing Possible Arms Restraints

The implicitly hostile division of supplier-recipient relationships into rival groups would, on the one hand, make it essential that all participate in an arms restraint system if it is to succeed and, on the other hand, make it difficult to reach an agreement on broad and effective CAT curbs in Southeast Asia. This problem has several components:

- While the non-Communist suppliers—the West European nations and the LDCs—might be persuaded to agree to some form of restraint, the intensity of the Sino-Soviet rivalry in the region would make it difficult, to say the least, for both China and the USSR to reach an agreement on CAT controls.
- With the recent imposition by Hanoi of a pro-Vietnamese—and by extension pro-Soviet—regime in Kampuchea, China has lost its closest ally in Southeast Asia and an important battle in its efforts to curtail Soviet influence in Indochina. Although China is not currently a major arms supplier to the region (it is the sole supplier of arms to Kampuchea), it is considered a major power and would have to be included in any negotiations on restraining arms sales.
- The USSR might be willing to discuss CAT restraints in Southeast Asia if it can protect its special interests in Vietnam, Laos, and Kampuchea, and if it sees an opportunity to exploit conflicts of interest between China and the West or among Western arms suppliers. Under such conditions, however, CAT negotiations would be meaningless.

• Vietnam's attitude toward CAT controls will be influenced by both its own and Soviet interests. Despite its friendship and cooperation treaty with the USSR Hanoi has attempted to maintain a degree of independent action and would probably be reluctant to restrict its ability to acquire arms from either the Soviets or other suppliers.

• The ASEAN states would not accept CAT controls without the full participation of the Soviet Union, China, and Vietnam. [REDACTED]

Implications for the United States

It is extremely unlikely that a system for Southeast Asian CAT restraints will be proposed or discussed unless the United States takes the lead. Even then, the chances of negotiating and implementing a CAT restraint system in Southeast Asia are small. A supplier-recipient agreement to reduce transfers of conventional arms to Southeast Asia would depend not only on the voluntary participation of both suppliers and recipients but also on the mechanics by which it might be negotiated and implemented. In the case of Southeast Asia, the motives driving both suppliers and recipients present significant obstacles to establishing broad and effective regional curbs. The implicitly hostile division of supplier-recipient relationships into Communist and non-Communist groups of states would, on the one hand, make it essential that all participate and, on the other, make it difficult to negotiate an agreement. [REDACTED]

At present, the major implication for US policy of a proposal for restraining conventional arms transfers in Southeast Asia lies in its potential impact on Washington's relations with the ASEAN countries. Gaining a sympathetic hearing by the ASEAN states on arms matters will depend not only on the substance of the proposed restraints, but also on the manner in which the proposal is presented and the extent to which the respective governments are consulted during the process. The five ASEAN states would probably oppose any restrictions on their abilities to improve the quality of their forces in accordance with their own perceptions of their requirements for individual and collective

self-defense, but they might be inclined to support controls on the introduction of highly sophisticated or clearly provocative types of weapons to the region—largely because none of them currently plans to acquire such weapons. [REDACTED]

Their preference for relying on the United States, not only for arms but also for political and security support, their general dislike of the USSR, and their desire not to antagonize Vietnam (which has the largest military establishment in Southeast Asia) or China (whose intentions they suspect) would make the ASEAN states especially sensitive to extraregional initiatives without close prior consultation. [REDACTED]

In the long run, a US-initiated or sponsored proposal to restrict arms sales to Southeast Asia could have the adverse impact of straining relations with the ASEAN group. Military assistance from the United States has long been regarded by the ASEAN states as a key symbolic barometer of US concern for their security and, by implication, for regional stability. US security assurances have helped to obviate the need for these nations to depend on alternate suppliers or to maintain large arms inventories. [REDACTED]

During the past few years, however, the ASEAN governments have voiced an uncertainty about the US concern for their security, and about US military capabilities (particularly naval forces) in the region. While the ASEAN states clearly prefer US equipment, they have already demonstrated a readiness to turn to other suppliers and to undertake local production. Under these circumstances, attempts to place restraints on arms sales, particularly if initiated or sponsored by the United States, could further undermine confidence in Washington's reliability and could motivate these states to increase their arms purchases generally and to rely more heavily on non-US sources of supply. [REDACTED]

Secret

Annex A

Dynamics of Arms Transfers To the Region

Trends and Patterns in Southeast Asian Arms Transfers

Total arms sales and assistance to the nine Southeast Asian countries during the period 1975-78 was approximately \$2.8 billion, excluding all US assistance to the Indochina states in 1975.² This is about 3.5 percent of the world total of \$80 billion. The volume of arms purchases by the five ASEAN states jumped in 1975-76, as a result of concern over the emergence of Communist governments in Indochina, but appears to have fallen off in 1977-78. Arms transfers to the Indochina states by Communist suppliers declined over the period 1975-78, but probably increased somewhat in late 1978 as China and the USSR assisted their respective allies in the Kampuchea-Vietnam conflict.

The five ASEAN members accounted for about 84 percent of total arms purchases by the nine Southeast Asian states during the period 1975-78. Within ASEAN, Indonesia bought the most, and Singapore the least. Much of the earlier arms transfers to ASEAN countries were in the form of grant assistance, but since 1975 the proportion purchased on cash or credit terms by ASEAN governments has increased. Most of the spending has been for small arms, ammunition, quartermaster gear, and tanks. Several of the ASEAN states, however, have acquired more sophisticated and high-priced equipment, including fighter aircraft and fast patrol boats equipped with guided missiles.

The Indochina states together accounted for about 14 percent of total arms sales and assistance to Southeast Asia during the period 1975-78. Vietnam was the major recipient, despite its takeover of the large arsenal of weapons left in South Vietnam by the United States. Vietnam's arms imports, including MIG-19 and MIG-21 aircraft, have been acquired mostly through the Soviet military assistance programs.

² See Annex C, tables 1-3.

Future patterns and trends in Southeast Asian arms acquisitions will be influenced by the final outcome of the armed conflict between Vietnam and Kampuchea, which has already resulted in the replacement of a pro-Chinese Kampuchean Government with a pro-Vietnamese and, by extension, pro-Soviet, regime in Kampuchea. Soviet assistance to Vietnam will probably increase following the conclusion of a friendship and cooperation treaty between the two countries.³ China suspended all military and economic assistance to Vietnam in mid-1978, while continuing to provide a small amount of assistance to Kampuchea. China currently is not an arms supplier to any Southeast Asian nation, although it is supporting remnants of the former Pol Pot Kampuchean regime that are engaging in guerrilla resistance.

The ASEAN nations, and Thailand in particular, are concerned over the establishment of a Vietnamese-controlled regime in Kampuchea that could threaten Thailand directly and the other four member states indirectly. This concern will undoubtedly translate into continued demands for arms, but overall spending by the ASEAN nations will probably not increase sharply in response. An arms race between ASEAN and the Indochina states is unlikely, partly because of budgetary constraints in the ASEAN nations but largely because each group is likely to pursue policies of detente and cooperation rather than military force as a way of deterring aggression from the other.

During the period 1975-78, the United States was the dominant supplier in the Southeast Asian arms market. The US share of the nine-country Southeast Asian market was 46 percent—compared to that of the next largest supplier, the USSR, which was 13 percent.⁴

³ The treaty does not, however, require Soviet military intervention in case of an attack on Vietnam.

⁴ See Table 1.

A more meaningful comparison, however, is between suppliers to either the five ASEAN nations or to the three Indochina states, because the major suppliers have sold almost exclusively to one group or the other.⁵ The US share of sales to the ASEAN states (54.3 percent) was substantially higher than that of its nearest competitor, the Netherlands (7.4 percent). The remainder was supplied by other West European countries, Israel, Australia, and some LDCs. Within the region, Singapore has also become a supplier, capturing .2 percent of the ASEAN market with sales to Thailand, the Philippines, and Indonesia. The Soviet Union supplied 92 percent of Indochina's military assistance, with China furnishing 5.6 percent and other Communist nations 2.4 percent. [REDACTED]

For the near future, the arms suppliers will probably continue to deal exclusively with one regional grouping or the other. The USSR has attempted to penetrate the ASEAN market, but the five states remain suspicious of Soviet political and military intentions and have not placed any orders.⁶ China is not likely to sell to these states either, not only because of political and ideological constraints but because it does not produce the type of equipment ASEAN wants. [REDACTED]

An increasing number of arms suppliers are, however, attempting to compete and to increase their share of the ASEAN market. Several ASEAN states that have relied mainly on US arms in the past have been window shopping elsewhere in the past year. These include some—Indonesia, Thailand, and the Philippines, in particular—that have balked at US sales restrictions, including human rights reporting requirements. All the ASEAN states, however, feel that the US supply line has grown increasingly expensive, cumbersome, and uncertain. They are seeking alternate suppliers

⁵ Burma has received arms from both Communist and non-Communist suppliers, but accounts for only 2 percent of the region's total arms purchases. [REDACTED]

⁶ Indonesia's experience with poor-quality Soviet equipment provided under Soviet military assistance programs in the early 1960s has also been disillusioning. [REDACTED]

who offer comparable equipment on better credit and delivery terms. [REDACTED]

Motives of Recipients

The ASEAN States

Two major motives underlie most of the arms acquisitions by the ASEAN nations: to maintain internal security and stability and to develop a limited but credible defense capability. Like many other Third World countries, the ASEAN states are concerned with internal challenges in the form of active insurgencies and endemic economic and political instability. The process of modernization is inherently destabilizing and sometimes releases forces that are difficult to control. Most ruling elites find their positions threatened whether or not they succeed in stimulating development. The line between threats to themselves and threats to the state is often blurred because the elites tend to view any threat to their leadership as a challenge to national security. [REDACTED]

Although the ASEAN governments justify the majority of their arms acquisitions by the need to combat domestic insurgencies, it is apparent that their purchases are motivated at least in part by other considerations. Much of the equipment presently being considered or purchased—F-5E fighter planes, fast patrol boats equipped with guided missiles, sophisticated air defense systems—is clearly not appropriate for counterinsurgency warfare in the jungle. Moreover, Singapore, which has consistently spent a higher percentage—almost 6 percent—of its GNP on defense than other ASEAN states, has no insurgency problem at all. [REDACTED]

25X1

25X1

25X1

25X6

25X1

The desire to prepare themselves to meet a variety of internal threats, as well as to bolster national pride, self-confidence, and prestige, are the primary impulses behind current ASEAN armed forces modernization and expansion programs. Military establishments play dominant political roles in several states and their interests must be accommodated. In the case of Indonesia, keeping the military satisfied is also necessary to maintain the morale and status of an institution deemed vital for social and economic development as well as for security. Similarly, the civilian government of the Philippines has acquired weapons as a means of guaranteeing the loyalty and support of its senior military officers. Finally, in many of these poor LDCs, the armed forces are catered to because they provide employment and thus help to alleviate social and economic pressures. [REDACTED]

coordinated and unified.⁹ ASEAN's response to Vietnam's invasion of Kampuchea has been unanimous in deploring the aggression and in reaffirming the solidarity and neutrality of the group. These countries are likely to continue to value their unity and neutrality and to pursue a two-track policy toward external threats: conciliatory diplomacy combined with gradual enhancement of national and collective defense capabilities. [REDACTED]

25X1

The ASEAN members have eschewed the use of force in their relations with each other and with other regional states. The five countries have forged ties of economic, political, and military cooperation that have enabled them to resolve their territorial conflicts without resorting to arms. The last armed conflict—between Indonesia and Malaysia—ended in 1967. Within the ASEAN group, there is also no hegemonic aspirant or recognized regional leader.⁸ Moreover, despite their political and economic differences, there is a genuine appreciation on the part of all five that they stand or fall together and that cooperation is not only a cheaper but also a more effective method of coping with internal ASEAN strains and potential external enemies. [REDACTED]

The ASEAN countries have concentrated on building up their individual defense capabilities to enable them to respond to low-level threats and to create over the long term a credible deterrent to potential external enemies. Indonesia, for example, realizes that it has serious gaps in its sea defense and surveillance ability that have made it difficult to patrol its lengthy coastline or to control smugglers, pirates, and even Indochinese refugees. The states bordering the Malacca Strait—Malaysia, Indonesia, and Singapore—are concerned about possible intimidation by the fleets of great powers operating through the Strait and have therefore concentrated on acquiring fast patrol boats equipped with guided missiles that can be used effectively against large naval vessels. All have sought to improve their air defense forces and radar systems. Furthermore, most ASEAN states are experiencing large influxes of Vietnamese seaborne refugees and the bolstering of naval forces may also be designed to monitor, control, and repel refugee landings.

Perception of an external threat, particularly from Vietnam, varies from member to member, but the response, both diplomatic and military, is generally

⁹ Thailand, now the frontline state, is concerned over Vietnam's long-term intentions, fearing that Vietnam will expand its support to Thai Communist insurgents and ultimately try to seize northeast Thailand. Singapore, the most vehemently anti-Communist member, believes that the expanding Soviet military presence and naval power in the Pacific and Indian Oceans and in Southeast Asia is the greatest threat. It focuses on the Soviet hand behind Vietnam's actions but does not feel directly threatened by either. Malaysia and Indonesia believe that Vietnam is the immediate threat but that China is the long-term threat to regional stability; they are concerned about Chinese intentions toward ASEAN in light of Soviet gains in Indochina. The Philippines feel the least threatened by Vietnam's invasion of Kampuchea and by Sino-Soviet rivalry in Southeast Asia. It is concerned mainly about possible conflict between China and Vietnam or between either and the Philippines over rival claims to oil-rich islands in the Spratly group. [REDACTED]

⁸ Indonesia, by reason of its size, its revolutionary and Third World credentials, and its strongly anti-Communist military government, considers itself the leader in non-Communist Southeast Asia. Other ASEAN members, however, remain suspicious of Indonesia's historical penchant for expansionism and feel that they have stronger political and economic credentials to be regional spokesmen. [REDACTED]

25X1

25X1

Nonetheless, compared to LDCs in other regions the ASEAN governments' requests for military aid or equipment are not large. Although many of these states would probably seek more equipment if they had the money, political-economic priorities and financial constraints preclude large expenditures for the foreseeable future. Civilian and military leaders alike recognize that the solutions to problems of insurgency and instability demand social and economic development programs in at least equal proportion to military operations. Hence, their limited financial resources have been allocated primarily to development, which reduces significantly the amount available to purchase arms. [REDACTED]

The five states have firmly rejected the idea of a collective security pact, at least for the time being.¹⁰ Military cooperation among the ASEAN states, in the form of joint training exercises and counterinsurgency operations along common borders, has been confined to bilateral or, at most, trilateral agreements. Cooperation has expanded, however, and contingency plans have been suggested whereby Indonesian and Singaporean troops would be sent to fight in Malaysia and/or Thailand if the latter were invaded or in danger of being overthrown by Communist insurgents.¹¹ There is still a strong resistance to the idea, however. [REDACTED]

Cooperation has also involved a limited degree of equipment standardization. Indonesia and Singapore have taken the lead in promoting arms complementarity—particularly the use of M-16 rifles by all members—to make mutual assistance easier and arms purchases more economical. Nonetheless, even though the ASEAN countries often exchange experiences and information before purchasing certain equipment, they do not always take complementarity into consideration. Constrained by a scarcity of funds, the individual countries often sacrifice standardization for the best deal they can make. For example, the Indonesians contemplated purchasing the French Mirage-5 instead of the US F-5E because they felt the purchase terms were better, despite the fact that most of the other ASEAN countries possess the US aircraft. [REDACTED]

¹⁰ Singapore has recently proposed the creation of a joint armed forces command and mutual security arrangements [REDACTED]

Motivated partly by doubts about reliability of foreign suppliers, all of the ASEAN members have considered working toward individual and regional arms self-sufficiency through local production. In addition, local manufacture could alleviate the drain on foreign exchange reserves caused by purchasing abroad. [REDACTED]

The profit possibilities of arms production and export sales are especially appealing to Indonesia's military leadership as a means of supplementing military salaries and financing long-term modernization programs that cannot be budgeted out of government revenues. Both Indonesia and the Philippines want to develop their aviation industries and hope to sell abroad. Only Singapore currently has the industrial capacity and financial resources to produce small arms and ammunition and is expanding its production base for both its own supply and for export sales. While it is premature to expect ASEAN arms factories to produce military goods in sufficient quantities to meet local needs or to export in the near future, over the long term the member states will increasingly pursue local or joint production of small arms and ammunition in order to generate higher technological know-how, self-confidence, and additional foreign exchange. [REDACTED]

Burma

Like the ASEAN states, Burma's military government identifies active insurgency as its major national security concern and motivation for seeking arms. In recent years, however, Burma has been unable to obtain the money or credit necessary to modernize its equipment. It has also been reluctant to rely upon, or to seek, major foreign military assistance, largely because it fears an adverse impact on good relations with China, the only potential source of external threat Burma perceives. [REDACTED]

The Indochina States

Until the outbreak of hostilities between Vietnam and Kampuchea, internal, not external, threats were the major motives for the limited amount of arms acquired during the period 1975-78 by the three Indochinese states. These internal motives persist but have been overshadowed by the immediate need to augment defensive and offensive capabilities. [REDACTED]

Secret

While they are suspicious of the ASEAN nations' relations with the United States, the three Indochina states do not consider these nations or Burma to be serious military threats. Rather, their main concerns have been with each other and with the Chinese or the Soviets. Deteriorating relations with the Chinese helped prompt Vietnam to sign a treaty of friendship and cooperation with the USSR and subsequently to invade Kampuchea, setting up a pro-Vietnamese government. Laos, an ally of Vietnam, attempted to maintain its neutral stance in the Sino-Soviet rivalry, but recently it has supported Vietnam's actions against Kampuchea and openly quarreled with China. As Hanoi's client, the new Kampuchean regime of Heng Samrin will benefit indirectly from Soviet assistance to Vietnam. [REDACTED]

Motives of Suppliers

Non-Communist

The motives that drive the non-Communist suppliers—political, security/strategic, and economic—have fluctuated with changes in the regional and international environment. Earlier US, UK, and Australian military assistance accompanied formal security alliances and was designed mainly to meet political and security objectives, including enhancing local counterinsurgency capabilities and cementing political ties with allies and former colonies. [REDACTED]

In the mid-1970s the Cold War atmosphere gave way to the spirit of detente, thus reducing the strategic necessity of such regional military pacts as the Southeast Asia Treaty Organization—the United States, the United Kingdom, France, Australia, New Zealand, Pakistan, the Philippines, and Thailand—and the Five Power Defense Arrangement (FPDA)—the United Kingdom, Australia, New Zealand, Malaysia, and Singapore.¹² In addition, the victory of Communist regimes in Indochina and the severance of many former political ties have caused the United

¹² SEATO was dissolved in 1977 and the phasing out of FPDA will be completed by 1980. Under the terms of the 1954 Manila Pact, however, the United States retains a special consultative relationship with the Philippines and Thailand should either be in danger of direct attack. In addition, the Rusk-Thanasit Communique provides for US intervention if Thai security is seriously threatened by an outside power. [REDACTED]

States and West European suppliers to reexamine the political and strategic importance of the region, especially in comparison to such other regions as Africa and the Middle East. Political motivations, however, are paramount as reasons for US and Australian military assistance to the ASEAN states. [REDACTED]

West European and other marginal suppliers sell arms to Southeast Asia mainly for economic reasons. For the European and non-European suppliers alike, arms exports help to reduce production costs, realize economies of scale, recoup research and development costs, and alleviate general domestic economic concerns by maintaining or increasing employment. General economic conditions in the industrialized countries have accentuated these motives during the past few years. Nonetheless, the volume of arms sales to Southeast Asia has been a relatively small proportion of these countries' world sales. [REDACTED]

Communist

Soviet and Chinese arms transfers to Indochina were designed to thwart US intentions and to win allies. They are now driven primarily by Sino-Soviet rivalry and by their own perceptions of the importance of Southeast Asia to their overall world strategy. The USSR-Vietnam and USSR-Laos relationships reflect continued political and security objectives vis-a-vis China. [REDACTED]

Secret

Secret

Annex B

Receptivity to Voluntary CAT Restraints

Attitudes of Recipient States

Both non-Communist and Communist countries in Southeast Asia have talked of making the region a nuclear free zone. However, neither of the zone of peace plans thus far proposed—Malaysia's "zone of peace, freedom, and neutrality" (ZOPFAN) and Vietnam's "zone of peace, genuine independence, and neutrality" (ZOPGIN)—is presently more than a vehicle for generating a political and diplomatic dialogue between the two rival blocs. As such, neither would present a suitable foundation for a conventional arms restraint regime. Although both plans contain similar principles for regional cooperation and call for an end to great power interference, political and ideological differences between the ASEAN and Indochinese countries make agreement on a zone of peace unlikely.¹³ [REDACTED]

The ASEAN States

Thus far, the ASEAN nations as a group have not formally addressed the issue of conventional arms control. Nonetheless, it is clear that the ASEAN countries at present perceive no need for a formal regional agreement to control conventional arms transfers, and it is likely that they would resist efforts to negotiate one. Most have expressed individual opinions on disarmament in general, but their emphasis has been on nuclear-weapons-free zones and on East-West arms reductions. The three states that are members of the nonaligned movement—Indonesia, Malaysia, and Singapore—supported the movement's resolution at the UN Special Session on Disarmament (SSOD) in June 1978, which gave priority to control of nuclear, chemical, incendiary, and mass-destruction weapons over restraints on conventional arms transfers. [REDACTED]

¹³ For additional background, see "ZOPFAN or ZOPGIN—A Zone of Peace in Southeast Asia?" *International Issues Monthly Review*, 26 July 1978, RP IIMR 78-006. [REDACTED]

Malaysia has been a major spokesman for ASEAN in UN and nonaligned disarmament forums. It has, however, been largely concerned with nuclear disarmament and with promoting its initiative for ZOPFAN. [REDACTED]

Philippine participation in a regional arms control agreement, particularly a US-initiated one, would be complicated by the presence of US bases in that country. The Philippine Government has managed thus far to soften the effects of unilateral US curbs on conventional arms transfers through exploitation of Washington's interest in maintaining military bases in the Philippines. From the Philippines' point of view, establishment of regional conventional arms transfer controls would be likely to deprive Manila of at least some of the benefits it currently derives from its favorable bargaining position. [REDACTED]

Thailand's statements on arms control have focused on the proliferation of nuclear weapons and the competition between the arms-producing superpowers. Thailand supported the SSOD declaration but expressed concern that limiting international arms sales might affect its ability to purchase weapons for its own defense and for combating illicit narcotics traffic. Thailand would be particularly sensitive to US policy initiatives without close, prior consultation. Thai officials have expressed resentment, for example, at the "failure" of the United States to consult with them on the US-Vietnamese talks in Paris. [REDACTED]

Singapore produces small arms, ammunition, and patrol boats for its own use and, increasingly, for export to other ASEAN members under the guise of military cooperation. It has a coproduction arrangement with Thailand and is now negotiating one with Malaysia. Arms sales to Indonesia, the Philippines, and Thailand amounted to \$6.0 million from 1975 to 1978 and accounted for .2 percent of total transfers to the ASEAN countries. (Singapore has also sold arms worth about \$1.8 million to Kuwait.) A handicap to the further expansion of Singapore's arms exports is that some of the equipment it makes either includes foreign-made components—such as the Israeli Gabriel guided missiles on the patrol boats sold to Thailand—or is manufactured under foreign license. In both cases, Singapore is required to obtain permission from another supplier before it can conclude a sale. [REDACTED]

Thus far, Singapore is apparently the only Southeast Asian state willing to examine the possibility of a conventional arms transfer (CAT) restraint agreement. In his speech during the SSOD general debate, Singapore's representative acknowledged that all nations—not just the superpowers—are responsible for arms races and emphasized that all states must examine their own conduct critically. He went on to praise the Latin American regional initiative to control acquisitions of arms for offensive purposes.¹⁴ [REDACTED]

Singapore's willingness to discuss arms control reflects its sense of extreme vulnerability as a small and relatively wealthy city-state surrounded by large and poor countries. Singapore is also better armed, for its size, than its neighbors and would obviously like to maintain this status. Its reactions to recent developments in Indochina suggest, however, that its interest in CAT restraint may be declining. Less sanguine than its ASEAN partners about the possibility of tempering Vietnamese aggression through detente and cooperation, Singapore has begun to talk of ASEAN mutual security arrangements. [REDACTED]

¹⁴ A commitment undertaken by the eight Latin American signatories of the 1974 Declaration of Avacucho, and reaffirmed in May 1978. [REDACTED]

The success of any arms control agreement in South-east Asia would require the full participation of *Indonesia*, which is at present the least likely to agree to restrict its purchase of arms. Political and psychological factors would make it extremely difficult for the military government to agree to arms restraints. Indeed, the necessity of placating junior officers who are dissatisfied with the slow pace of upgrading military equipment has caused the Suharto government to plan an acceleration of military modernization programs over the next several years. Nationalist sentiments, fears of foreign manipulation, and the military's own sense of pride as a revolutionary force, would make Indonesia reluctant even to participate in discussions initiated either by nonregional states or by other ASEAN members (and Singapore, in particular) with nonregional support. [REDACTED]

Nevertheless, the ASEAN states might be inclined to support controls on the introduction to the region of highly sophisticated or clearly provocative types of weapons—largely because none of them currently plans to acquire such weapons. They would, however, probably oppose any restriction on their abilities to improve the quality of their forces in accordance with their own perceptions of their requirements for individual and collective self-defense. [REDACTED]

Burma

Burma has traditionally avoided active participation in regional and international affairs.¹⁵ Neutralist and nationalist—to the point of isolationism—Burma is suspicious of everyone, and China in particular. Because of this distrust and fear, Burma would be unlikely to participate voluntarily in a regional arms control agreement. It might be persuaded to cooperate, however, if Chinese participation and approval were assured. [REDACTED]

¹⁵ In the past, Burma has expressed acceptance of a zone of peace in the region in principle, but has not specifically endorsed either the ASEAN or Vietnamese proposals. [REDACTED]

Secret

The Indochina States

As a result of conflict with Kampuchea and deteriorating relations with China, *Vietnam* discarded its impartial attitude toward the Sino-Soviet dispute in 1978. While its friendship and cooperation treaty with the USSR does not require Soviet military intervention in case of an attack on Vietnam, Hanoi undoubtedly hoped that the treaty would deter China from taking strong measures against Vietnam. [REDACTED]

In an obvious bid to improve relations with ASEAN as friction with China intensified, Vietnam proposed its own version of a zone of peace in Southeast Asia at the SSOD last June. While Vietnam's proposal for a zone of peace is no closer to implementation than ASEAN's zone of peace plan it does signify a new willingness to cooperate and an acceptance of the concept in principle. [REDACTED]

Vietnam's attitude toward regional arms control will be influenced partly by Soviet interests but largely by its own perception of its needs. Vietnam is under pressure from the USSR to provide air and port facilities to service the Soviet Indian Ocean Fleet, but it is unlikely to grant unrestricted use of these facilities in the near future. Vietnam has tried to maintain some flexibility and lessen its dependence on the USSR by seeking other sources of economic assistance and by limiting the Soviet military presence in Vietnam. Hence, Vietnam would probably be reluctant to accept a CAT control regime which restricted its ability in the future to acquire arms from either the Soviets or other suppliers. [REDACTED]

Laos is strongly influenced by Vietnam—and, by extension, backs the Soviet Union in the Sino-Soviet dispute. The security of Laos is maintained not only by its own forces but also by those of Vietnam. Laos has been a vocal opponent of ASEAN's zone of peace proposal but has found Vietnam's plan acceptable. Hence, Laos would be likely to follow the lead of the Vietnamese on arms control, but might be indirectly influenced to some degree by Soviet wishes. [REDACTED]

Until late 1978, *Kampuchea* had received Chinese and East European military assistance in very small quantities, with China supplying most of it. The Vietnamese-controlled Heng Samrin regime obviously will follow Vietnam's lead on arms controls issues. [REDACTED]

Perceptions of Supplier States

USSR

Although the USSR in recent years has sharply increased its diplomatic and ideological activities in Southeast Asia, its economic and military involvement in the region remains relatively modest. [REDACTED]

From 1975 to 1978 the USSR accounted for 13 percent of the total value of arms sales to Southeast Asia as a whole, and 92 percent of sales to the Indochina states. While this is a considerable percentage, Soviet arms transfers to the region steadily declined during this period and represented less than 2 percent of its worldwide sales. A major reason for the decline was the end of the Vietnam war and the capture of \$5 billion worth of US military hardware by Hanoi in 1975. Soviet military assistance to Vietnam—the major recipient of Soviet arms—has consisted mainly of replacement parts, fuel, and some new equipment. [REDACTED]

Moreover, in comparison with Western suppliers, Moscow has fewer established arms customers in Southeast Asia and less potential for developing significant new markets in the region. Although the Soviets will continue efforts to expand their list of customers—witness their recent offers of military aid to the Philippines and Indonesia—widespread antipathy toward Moscow, the desire of the ASEAN states not to get involved in the Sino-Soviet rivalry, and the ready availability of suppliers that are politically and ideologically more acceptable suggest that the chances for expansion of Soviet arms sales in the region are low. [REDACTED]

The Soviet involvement in Southeast Asia is rooted in its broader foreign policy objectives, the most urgent of which is to limit the growth of China's influence and power in the region. This policy of countering China is based on developing a durable and broadly based relationship with Vietnam. The latter has both symbolic and practical significance to Moscow. For Moscow, Vietnam is symbolically important because it is the first state where US "imperialism" has suffered a defeat by the forces of "national liberation"—aided by the "world socialist system"—in a direct military confrontation. Consequently, influence over Hanoi is [REDACTED]

of major importance to Moscow in its ideological rivalries with both China and the West in the Third World. [REDACTED]

On the practical level, the USSR views Vietnam as the only state in the region capable of providing a military counterweight to China. Moscow believes that its establishment of a strong presence in Vietnam by becoming the main source of economic and military assistance, coupled with regional suspicions of China's aims and traditional anti-Chinese sentiment, will enable it to use this strong and regionally dominant Vietnam against China. Soviet leaders undoubtedly regard Vietnam's membership in the Council for Mutual Economic Assistance, the signing of a Soviet-Vietnamese treaty of friendship and cooperation in early November 1978, and the failure of Deng Xiaoping's Southeast Asian trip to produce any pro-Beijing diplomatic breakthroughs as confirming the wisdom of this aspect of their Southeast Asia policy. [REDACTED]

This assessment points to several obstacles to a regional arms accord. The Soviets clearly have a strong political and strategic interest in arms sales as a means of maintaining their political presence in Vietnam and Laos. Vietnam's hostilities with China and Kampuchea have provided the USSR with further opportunities for drawing Vietnam into a more dependent relationship. In sum, the USSR's desire to maintain its position as the primary source of Hanoi's power and Moscow's continuing interest in expanding arms sales to the non-Communist ASEAN states as a means of reducing both Chinese and Western influence will certainly strengthen the USSR's general disinclination to enter into international agreements to restrain conventional arms transfers in Southeast Asia. [REDACTED]

The only arrangement that the Soviets might support would be one that established a regional arms ceiling rather than limiting the amounts of arms sales to individual countries in the area. Since Vietnam is the only significant recipient of Soviet arms in the region, such an arms transfer restraint arrangement would not greatly restrict the Soviets' freedom of action in dealing with Vietnam and would offer them an opportunity to exploit conflicts of interest among Western suppliers, who have multiple recipients in the

area, or between China and the West. For example, China may perceive a US-Soviet regional CAT restraint agreement as Western validation of the longstanding Soviet claim to being a force of stability in the region.¹⁶ [REDACTED]

In fact, the Soviets would have little to lose by encouraging such an arms restraint arrangement. The USSR's arms sales to Vietnam in 1977 amounted to \$8.4 million, or less than 0.1 percent of its arms sales worldwide for that year. With poor prospects for a further significant expansion of arms customers in that region and with Vietnam in need of additional Soviet arms despite its possession of a large quantity of usable US arms, Moscow would probably view the potential benefit of unrestrained freedom to exploit the arms market as minimal, at least in the short run. And since the Western suppliers together sell more arms to more Southeast Asian customers than does the Soviet Union, Moscow might conclude that the West would bear most of the political and economic cost of regional arms restraint agreement. [REDACTED]

If the Soviets can protect their special interests in Vietnam, therefore, they might be willing to discuss Southeast Asian CAT restraints. Their suggestions for using Vietnam's zone of peace proposal as a possible framework for a regional arms control regime can be viewed as a trial balloon in this regard [REDACTED]

Australia

Australia provided about .5 percent of the arms supplied to Southeast Asia from 1975 to 1978 and 4 percent of sales to the ASEAN states alone. Canberra's political and security ties to its fellow Commonwealth members in the region—Singapore and Malaysia—motivate its military assistance programs to these countries. Ironically, Australia also provides sizable military assistance to Indonesia, the one country from which it perceives a potential threat. [REDACTED]

Australia has endorsed the concept of an arms restraint accord in Southeast Asia that would inhibit the development of offensive capabilities of regional

¹⁶ The Soviet Union has sought recognition as an Asian power since Soviet leader Brezhnev put forward a vague proposal for an "Asian collection security system" in June 1969. Despite the Soviets' diplomatic efforts to promote the proposal, the only Asian states to support it so far are Mongolia and Afghanistan. [REDACTED]

Secret

states—of Indonesia in particular. At the same time, Canberra sees many dangers and difficulties in the actual implementation of such a restraint system at this time. Australia is concerned that the ASEAN states will react adversely to the idea of CAT restraints (especially if proposed by the United States) and that they will be motivated to reexamine their defense capabilities and to accelerate their arms purchases. []

Western Europe

Western Europe accounted for about 33 percent of sales to all nine Southeast Asian states and 38 percent of those to the five ASEAN nations during the period 1975-1978. With the exception of the United Kingdom and the Netherlands, the West Europeans have no strong political ties or strategic interests in that region. The United Kingdom and its Commonwealth colleagues in the region are members of the regional Five Power Defense Arrangement. Even so, its sales to ASEAN accounted for only 6 percent of its worldwide sales during the four-year period. The Netherlands, whose sales to ASEAN—mostly to Indonesia—represented a substantial 40 percent of its worldwide sales, retains political and economic interest in its former colony, Indonesia. []

Western Europe's major economic motives for selling arms—the need to sustain domestic arms industries and to compensate for an economic slowdown—are important but have not been well served by the Southeast Asian market because of the small quantities of arms sales involved. Political and economic commitments and arms sales to other regions—the Middle East, China, and Africa—have been generally viewed by the West Europeans as much more important and lucrative. []

West European attitudes, however, are changing. In the past year, several EC nations have indicated greater interest in the ASEAN group. The first ministerial level meeting between the ASEAN and the EC governments, held in November 1978, followed a marked expansion of investment and trade, including arms sales and coproduction agreements, with the ASEAN states. France and West Germany, in particular, stepped up arms sales efforts in 1978. The potential for cornering a larger share of the ASEAN market has been enhanced, too, by ASEAN's problems with US sales and deliveries. []

The generally low priority currently assigned to Southeast Asia by most of the West European nations would probably make them willing to accept an arms restraint system in the region—provided that all the region's recipients and suppliers agreed to the same limitations. By agreeing to limit their sales to Southeast Asia, EC suppliers might hope to alleviate international pressures to reduce sales to other regions they consider to be more important. It is conceivable, however, that in the near future improved economic and political contacts with the ASEAN states could make the West Europeans increasingly unwilling to restrain their arms sales. []

Marginal Suppliers

China, although not currently a major supplier to the region, has used military assistance to promote its political and ideological objectives in Indochina. Beijing's efforts in the region currently are directed toward thwarting Vietnamese and—by extension—Soviet expansionism in the area. During the period 1975-78, China provided 5.6 percent of all arms to Indochina, with the largest portion going to Kampuchea. During 1978, as a result of its dispute with Vietnam and Vietnam's subsequent tilt toward the USSR for assistance, China halted all economic and military assistance to Hanoi. In Kampuchea, Beijing has announced its commitment to supply arms to the resistance forces of the ousted Pol Pot government. []

China would like to draw closer to the ASEAN states to counter Vietnamese and Soviet influence in Indochina. The ASEAN states, however, have mixed views about China's long-term intentions and have generally held China at arm's length. []

[] In the present stage of its rivalry with the USSR in Asia, China will not easily foreclose its option to provide arms to any client in the future. []

Yugoslavia, Israel, and the Republic of Korea are eager to expand their arms sales to Southeast Asia, and the ASEAN states in particular. Together, these three

Secret

25X1 nations supplied about 7.7 percent of the arms to ASEAN, and about 6.4 percent of the total to Southeast Asia during the period 1975-78. [REDACTED]

25X1 Yugoslavia's sales to Southeast Asia—mostly to the non-Communist ASEAN states—accounted for over 3.0 percent of its total world sales. One of the most developed of the developing countries, it is both an importer and exporter of conventional arms. Yugoslavia's vigorous efforts to market its equipment are driven by basic economic imperatives born of chronic imbalance of payment and unemployment problems, combined with the desire to bolster its own security and independence by achieving self-sufficiency in arms production by the year 2000. Its burgeoning arms industry produces a wide array of military equipment which it sells to other LDCs. Belgrade's desire to enhance its standing as a Third World and nonaligned spokesman has also provided a powerful incentive to expand arms sales to—and to engage in defense-related joint production ventures with—other leading LDCs, such as Indonesia. [REDACTED]

25X1 Despite its growing role as an arms supplier, Yugoslavia has a longstanding and active interest in disarmament. Belgrade believes that if the LDCs act in concert, the disarmament process offers a unique and promising means for undermining the industrialized nations' monopoly of military, political, and economic power. The emergence of alternative arms suppliers among the LDCs tends to advance these same goals and is thus seen as a useful and even necessary adjunct to the overall disarmament effort. [REDACTED]

25X1 Belgrade is on record as being generally receptive to proposals for the control of conventional arms, but it has expressed fundamental skepticism about the value of "unbalanced" schemes that are limited in scope or geographic area. Yugoslavia's natural inclination to resist conventional arms control proposals that seem to sustain or enhance the military superiority enjoyed by the industrialized powers has been reinforced by what it perceives as the discriminatory nature of the current international nuclear nonproliferation system. Moreover, Belgrade's freedom of maneuver on CAT issues is constrained by its desire to maintain LDC solidarity. [REDACTED]

Israel's sales to the ASEAN states amounted to about 10 percent of its total worldwide sales. The bulk of these sales involved aircraft and Gabriel guided missiles, some of the most advanced equipment that the ASEAN states have acquired. A number of economic and political motives underlie Israel's arms export effort: Israel needs foreign exchange to pay for its own weapons imports; it wants to maintain a strong defense industry; and it seeks to overcome its international isolation. By selling to ASEAN states, Israel may hope to sway the votes of the group's two Muslim members—Indonesia and Malaysia—on Middle East issues in multilateral forums. [REDACTED]

25X1 Despite its small industrial base, Israel's relatively advanced military technology has enabled it to compete effectively in this market. Its main handicap is that much of the equipment it makes includes foreign-made components or is manufactured under foreign license, obliging it to obtain permission from another supplier (usually the United States or a West European state) before it can make the sale. The denial of this permission could be an important means for other suppliers to restrain Israel from undermining an agreement on arms transfer restraint in Southeast Asia. [REDACTED]

25X1 The prospects for purely voluntary Israeli restraint, however, are dim. Partly because of the political barriers keeping it out of many Third World markets, Tel Aviv is unlikely to acquiesce in anything that would weaken its defense industry for the sake of arms restraint in a region still much more lightly armed than its own. [REDACTED]

25X1 The other nonregional supplier with a chance of making significant inroads in the Southeast Asian arms market is *South Korea*. So far, South Korea's modest sales of small arms, ammunition, and military clothing to the ASEAN states have accounted for 3 percent of its total worldwide sales of military supplies and hardware. It is endeavoring to expand its share of the market (2 percent) with deals for larger items such as patrol boats. Like Israel, however, it faces the problem of requiring third-party permission to export complex equipment containing foreign-made components. [REDACTED]

Secret

Table 1

Million US \$

Arms Sales to Southeast Asia, by Supplier *

	1975		1976		1977		1978		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
United States	181.4	34	285.8	33	422.4	57	398.1	62	1,287.7	46
USSR	130.9	24.2	112.2	13	115	15.1	0	0	358.1	13
Netherlands	0	0	174	20	0	0	1.8	0.3	175.8	6.2
West Germany	30	5.6	10.5	1.2	100.5	13.2	29.7	4.5	170.7	6.0
United Kingdom	24.2	4.5	11.4	1.3	26.1	3.2	87.2	13.4	148.9	5.3
Spain	100	18.5	0	0	0.1	0	0	0	100.1	3.5
France	14	2.6	9	1.0	27.2	3.5	46.9	7.2	97.1	3.5
Italy	3.7	0.7	86.4	10	0	0	0.9	0.1	91.0	3.1
Sweden	0	0	79.6	9.1	0	0	1.1	0.2	80.7	3.0
Yugoslavia	5.3	1	10.9	1.2	31.1	4.1	24.8	3.8	72.1	2.5
Republic of Korea	0	0	35	4	0.9	0.1	19.8	3.0	55.7	1.9
Israel	8.4	1.6	13.5	1.5	4.4	0.6	27.9	4.2	54.2	2.0
Switzerland	0	0	24.6	3	8.4	1.1	0	0	33	1.2
China	22.2	4.3	0	0	0	0	0	0	22.2	0.7
Australia	6.7	1.2	1.2	0.1	3.2	0.4	5.4	0.8	16.5	0.5
Other	8.2	1.6	14.2	1.6	20.3	2.7	4.0	0.5	46.7	1.6
Total	535	100	868.3	100	759.6	100	647.6	100	2,810.5	100

* Sales are understood to mean agreements, not deliveries. Data for the United States are by fiscal years; all others, by calendar year.

25X1



Table 2

Million US \$

Arms Sales to ASEAN, by Supplier *

	1975		1976		1977		1978		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
United States	181.3	48	285.5	39	421.8	66	396.7	64.3	1,285.3	54.3
Netherlands	0	0	174	23.8	0	0	1.8	0.3	175.8	7.4
United Kingdom	24.2	6.4	11.4	1.6	26.1	4	87.2	14.1	148.9	6.4
West Germany	30	7.8	0	0	100.5	15.8	4.7	0.7	135.2	5.7
Spain	100	26	0	0	0.1	Negl	0	0	100.1	4.1
Italy	2	0.5	86.4	11.8	0	0	0.9	0.2	89.3	3.8
France	14	3.7	4.5	0.7	27.2	4.3	42.5	6.9	88.2	3.7
Sweden	0	0	79.6	10.9	0	0	1.1	0.2	80.7	3.5
Yugoslavia	5.3	1.4	10.9	1.5	31.1	5.0	24.8	4	72.1	3
Republic of Korea	0	0	35	4.8	0.9	0.1	19.8	3.2	55.7	2.4
Israel	8.2	2.2	13.5	1.8	4.4	0.7	27.9	4.5	54.0	2.3
Switzerland	0	0	22	3.1	3.8	0.6	0	0	25.8	1.1
Australia	6.7	1.8	1.2	0.2	3.2	0.5	5.4	1.0	16.5	0.7
Other	8.2	2.2	6.1	0.8	19.0	3.0	4.0	0.6	37.3	1.6
Total	379.9	100	730.1	100	638.1	100	616.8	100	2,364.9	100

* Sales are understood to mean agreements, not deliveries. Data for the United States are by fiscal years; all others, by calendar year.

25X1

Table 3

Million US \$

Arms Sales to Indochina, by Supplier *

	1975		1976		1977		1978		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
USSR	130.9	86	112.2	93	115	99	0	0	358.1	92
China	22.2	14	0	0	0	0	0	0	22.2	5.6
Other	0	0	8.1	7	1.3	1	0	0	9.4	2.4
Total	153.1	100	120.3	100	116.3	100	0	0	389.7	100

* Sales are understood to mean agreements, not deliveries.

25X1

Secret

Table 4

Million US \$

Arms Sales to Burma, by Supplier *

	1975	1976	1977	1978	Total
West Germany	0	10.5	0	25	35.5
France	0	4.5	0	4.4	8.9
Switzerland	0	2.6	4.6	0	7.2
United States	0.1	0.3	0.6	1.4	2.4
Italy	1.7	0	0	0	1.7
Israel	0.2	0	0	0	0.2
Total	2	17.9	5.2	30.8	55.9

* Sales are understood to mean agreements, not deliveries. Data for the United States are by fiscal years; all others, by calendar year.

Table 5

Million US \$

Arms Sales to Southeast Asia, by Recipient *

	1975	1976	1977	1978	Total	Total (%)
Indonesia	202.1	254.1	177	221.5	854.7	30.4
Thailand	47.2	243	150	242	682.2	24.3
Philippines	78.5	72.0	112	61	323.5	11.5
Vietnam	131.4	55.3	116.3	0	303	10.8
Malaysia	23.5	101	70.5	66	261	9.3
Singapore	28	58	135	22.5	243.5	8.7
Laos	7.6	65	0	0	72.6	2.5
Burma	2	17.9	5.2	30.8	55.9	2
Kampuchea	14.1	0	0	0	14.1	0.5
Total					2,810.5	100

* Sales are understood to mean agreements, not deliveries.

Table 6

Million US \$

Defense Budgets, 1975-79

Y	Defense Budget	Percent of Central Government Budget	Percent of GNP
BURMA			
1975	113.5	6.0	5.0
1976	132.6	5.8	4.8
1977	146.2	6.2	4.7
1978	155.2	5.5	3.7
1979	NA	NA	NA
INDONESIA			
1975	708.7	18.9	3.5
1976	1,100.0	16.7	3.8
1977	1,261.9	14.0	3.0
1978	1,513.5	14.8	3.0
1979	1,691.5	14.5	3.3
MALAYSIA			
1975	477.1	15.5	5.5
1976	500.0	17.3	4.9
1977	547.6	12.5	4.4
1978	1,060.3	19.9	7.3
1979	NA	NA	NA
PHILIPPINES			
1975	529.2	27.4	4.0
1976	524.1	16.8	3.1
1977	674.8	18.0	3.4
1978	793.1	17.2	3.1
1979	764.3	14.6	3.3
SINGAPORE			
1975	268.2	14.7	4.8
1976	386.3	18.5	6.1
1977	413.5	18.5	5.9
1978	411.2	16.6	5.6
1979	NA	NA	NA
THAILAND			
1975	377.9	16.1	4.0
1976	515.1	16.7	3.2
1977	603.9	17.9	3.8
1978	804.2	20.3	3.6
1979	950.0	20.6	4.5

Secret

Approved For Release 2003/01/30 : CIA-RDP80T00942A001000020001-1

Secret

Approved For Release 2003/01/30 : CIA-RDP80T00942A001000020001-1